

Joyce/Stuart:

Since DCI did not attend NSPG
I am not setting up file. Returning
these items to you for next Iran-Iraq
meeting.

Debbie
18 May

17 May 1984

DCI TALKING POINTS
NSPG re Iran-Iraq

1. Iraqi and Iranian air attacks against oil tankers in the Persian Gulf have begun to impact significantly on the spot oil market and to raise the cost of oil shipments from the Gulf. The market has reacted to:

-- The increasingly regular pattern of Iraqi attacks against tankers calling at Kharg Island--about one attack a week.

-- Three Iranian attacks against tankers bound to or from Kuwait.

2. We don't believe attacks against Kuwaiti shipping will deter Baghdad. This can lead Iran to mount strikes against targets inside Kuwait or other Gulf states. It also could shift the focus of its air attacks further south in the Gulf. Iran could attack oil and desalination facilities in Kuwait and other Arab Gulf states, hit the Iraq-Turkey oil pipeline, or begin sabotage and terrorist attacks in the Gulf states using local Shia sympathizers. Iran has trained Gulf Arabs in terrorism and sabotage and probably has some already in place. Kuwait's oil facilities are easily accessible to Iranian aircraft and damage to any of its terminal facilities could critically impair its production capacity. Saudi Arabia and Abu Dhabi's oil production and export also depend on a small number of critical chokepoints.

3. With only five Super Etenard aircraft capable of attacking ships well beyond Kharg Island and carrying EXOCET missiles, Iraq probably cannot launch attacks more than once a week or so without risking unacceptable aircraft losses. The kind of attacks both sides can make now would cause some disruptions, but no major impact in world oil markets.

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-- Insurance rates to Southern Gulf ports would increase and some companies would pull out, but the flow of oil would continue, as it has from Kharg Island in the past month despite air attacks.

-- The market is reacting not only to the number of attacks and the number of tankers hit, but also to the amount of damage. So far, 8 to 10 tankers have been hit by Iraqi and Iranian actions. None were sunk, damage was, on the whole, readily repairable. Damage of this magnitude is clearly an insurable risk and not nearly sufficient to halt the flow of oil.

-- Even if there were some reduction in oil shipments from Iran and Kuwait, there is more than enough excess capacity elsewhere in the Gulf and outside, and a willingness to use this capacity to make up for these losses.

4. The situation will change dramatically in late summer, when acquisition of Mirage F-1 aircraft will increase Iraqi capabilities against tankers by a factor of five or more. By late August, Iraq should be able to attack at a rate of a tanker a day on the average. This could virtually stop shipments from Kharg and the Iranians would probably launch attacks against all Gulf tanker shipping and/or try to close the Straits of Hormuz. Instead of just raising the cost of shipping from that area, the attacks would make Gulf oil shipments uninsurable. And none of the large companies would be willing to risk the voyage without insurance.

5. Given the announced Iraqi policy of stopping the flow of Iranian oil, the fact that the Iraqis are using all their current capabilities to that end, the large projected increase in Iraqi capabilities and the pattern of Iranian reaction, the risks are very high that we will face a severe crisis late this summer, if Iraq cannot be dissuaded from continuing on its present course.

~~SECRET~~
The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

17 May 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Maurice C. Ernst, NIO for Economics

SUBJECT: Impact of Air Attacks on Persian Gulf Tankers

1. Iraqi and Iranian air attacks against oil tankers in the Persian Gulf have begun to impact significantly on the spot oil market and to raise the cost of oil shipments from the Gulf. The market has reacted to:

- o The increasingly apparent pattern of Iraqi attacks against tankers calling at Kharg Island--about one attack a week--which, together with official Iraqi shipments, indicate a systematic campaign against Iranian oil exports rather than just ad hoc warnings.
- o Three Iranian attacks against tankers bound to or from Kuwait.

2. The frequency of attacks is unlikely to increase until late summer so long as Iran continues its tit for tat policy. With only five Super Etenard aircraft capable of attacking ships well beyond Kharg Island and carrying EXOCET missiles, Iraq probably cannot launch attacks more than once a week or so without risking unacceptable aircraft losses. A continuation of the recent frequency of attacks by both sides would cause some disruptions, but no major impact in world oil markets.

- o Insurance rates to Southern Gulf ports would increase and some companies would pull out, but the flow of oil would continue, as it has from Kharg Island in the past month despite air attacks.
- o The market is reacting not only to the number of attacks and the number of tankers hit, but also to the amount of damage. So far 8 to 10 tankers have been hit by Iraqi and Iranian actions. None were sunk, although one was damaged badly enough so that

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the ship may be lost; only one other was fairly severely damaged, the others requiring only moderate repairs; about two crewmen or so were killed and a dozen wounded; none of the cargoes have been lost. Damage of this magnitude is clearly an insurable risk and not nearly sufficient to halt the flow of oil.

- o Even if there were some reduction in oil shipments from Iran and Kuwait, there is more than enough excess capacity elsewhere in the Gulf and outside, and a willingness to use this capacity to make up for these losses.

3. The situation will change dramatically in late summer, when acquisition of Mirage F-1 aircraft will increase Iraqi capabilities against tankers by a factor of five or more. By late August, Iraq should be able to attack at a rate of a tanker a day on the average. This could virtually stop shipments from Kharg and the Iranians would probably launch attacks against all Gulf tanker shipping and/or try to close the Straits of Hormuz. Even with a tit for tat Iranian reaction, there would be a dramatic decline in oil shipments from the Gulf. Instead of just raising the cost of shipping from that area, the attacks would make Gulf oil shipments uninsurable. And none of the large companies would be willing to risk the voyage without insurance.

4. Given the announced Iraqi policy of stopping the flow of Iranian oil, the fact that the Iraqis are using all their current capabilities to that end, the large projected increase in Iraqi capabilities and the pattern of Iranian reaction, the risks are very high that we will face a severe crisis late this summer, if Iraq cannot be dissuaded from continuing on its present course.



Maurice C. Ernst

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The Director of Central Intelligence
Washington, D.C. 20505

NIC 02944-84
16 May 1984

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Graham E. Fuller
National Intelligence Officer for NESA

SUBJECT: Persian Gulf War

1. Who Threatens Shipping? The US dilemma in the current round of attacks on shipping by Iran/Iraq is that Iraq overwhelmingly takes the lead in number of ships struck. Iran likes the war just the way it is. Iraq wishes to expand the conflict down the Gulf to stop Iranian exports--its economic lifeline. Iraq will continue to take the lead in these attacks. The Iranians--if they are smart--will allow the Iraqis to be the chief aggressor against shipping.

-- This presents the US with a problem since the primary blame cannot be blamed on Iran for these attacks. If we assume defensive military action we will probably need to strike the Iraqis at least as often as at Iran.

2. The Saudi Role. We cannot expect the Saudis to successfully convince Iraq to stop attacks on Gulf shipping. The fact that many of the ships struck by Iraq bear Saudi flags is largely irrelevant to Saudi concerns. They are primarily flags of convenience and the Saudis are embarrassed that ships under this flag are carrying Iranian oil at a time when all Arabs urge maximum embargo against Iran.

-- The Iraqis consider they owe the Gulf states nothing for their continuing financial support. Iraqis maintain they are shedding their blood to stop Iranian aggression in the Gulf and the Gulf should bloody well be grateful for this Iraqi sacrifice which cost the Gulf only money. It is in Iraq's interest to continue attacks on all tankers serving Iran.

3. The Iranian response. Iran probably will try to keep its attacks at a lower level than Iraqi attacks. If Iran is cautious it will largely

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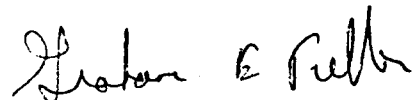
limit its attacks on shipping to the northern area such as Kuwait. If Iran is more adventuresome it will attack Saudi and UAE exports on ideological grounds and convince the Gulf states not to support Iraqi policy.

- It is surprising that Iran has not perpetrated any terrorist acts in the Gulf since last December but they will probably recur.
- Saudi Arabia will be willing to try to intercept Iranian fighters attacking shipping near the Saudi coast but probably will ask for greatly increased military assistance in terms of equipment.

4. The USSR. The USSR continues to brand this war a "useless one," implying that it does not serve broader Soviet interests. The Soviets will however:

- Claim that the US is seeking unilateral advantage from the war to expand its military facilities and access in the Gulf.
- Attempt to strengthen its ties and hold over Iraq--expecially if the US should end up in confrontation with Iraq to stop Iraqi attacks on shipping.
- Make some warning noises for the US to limit its activities but will have little concrete that it can do about the situation.

(NIO/USSR concurs on this paragraph.)


Graham E. Fuller

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Talking Points for NSPG Meeting
17 May 1984



Iran-Iraq Situation

- There has been no major change in the battlefield situation. Iran has approximately 400,000 troops concentrated east of Al Basrah and continues to move additional forces into the area. [redacted] 25X1
[redacted] Iran will launch a major attack there later this month but flooding, ammunition and supply shortages, and debates over strategy continue to cause the Iranians serious difficulties. 25X1
- The Iraqis attempted another attack on oil shipping calling at Khark Island this morning but may have been unsuccessful. US AWACS aircraft detected two Iraqi Super Etendards returning from a mission southwest of Khark at about 3:30 a.m. (local time) this morning. An Iranian F-14 fighter aircraft tried unsuccessfully to intercept the Super Etendards.
- There have been no reports this morning of tankers being attacked in the Gulf. The Super Etendards may have been unable to locate any targets.
- As predicted some months ago, the Iraqis have turned to attacking tankers to bring pressure on Iran and the rest of the international community. Since late March Iraq has hit at least six tankers. Iraq has attacked tankers at least once every five to twelve days since mid April. Iran has attacked three tankers, all this week. In addition, Iraq claims to have hit at least 30 merchant ships and several miscellaneous craft in the northern Gulf since 1 January.
- Iraq will not be deterred by Iran's retaliation against the Gulf Arabs from attacking shipping near Khark Island. We do not expect Iraq to increase the frequency of its attacks, however, until it receives Mirage F-1 fighter aircraft armed with Exocet missiles later this summer.
- The situation has escalated dangerously in the last few days as Iran has begun retaliate. Iran will retaliate for each succesful Iraqi attack by hitting at shipping bound for Arab Gulf ports. If Iraq continues its attacks for another few weeks, which we believe is likely, Iran probably will shift the focus of its attacks to targets inside Kuwait and possibly will begin fomenting terrorist attacks on the Gulf states. 25X1

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- Foreign Ministers of the six Gulf Cooperation Council states convened today in Riyadh; the Saudis are likely to propose several steps toward increased military cooperation in air defense, intelligence exchanges, and--perhaps--convoys for tankers in the Gulf.
 - Spot market prices for oil rose sharply yesterday, but surplus oil production capacity is available in non-Communist areas outside the Gulf; a halt in exports from Khark Island would by itself not have a major, sustained impact on the oil market.
 - Iran is accusing the US AWACS of supporting the Iraqi attacks, the latest Iranian charge was issued this morning. We believe there is a growing possibility that the Iranians will strike at AWACS or US personnel and facilities in the Gulf.
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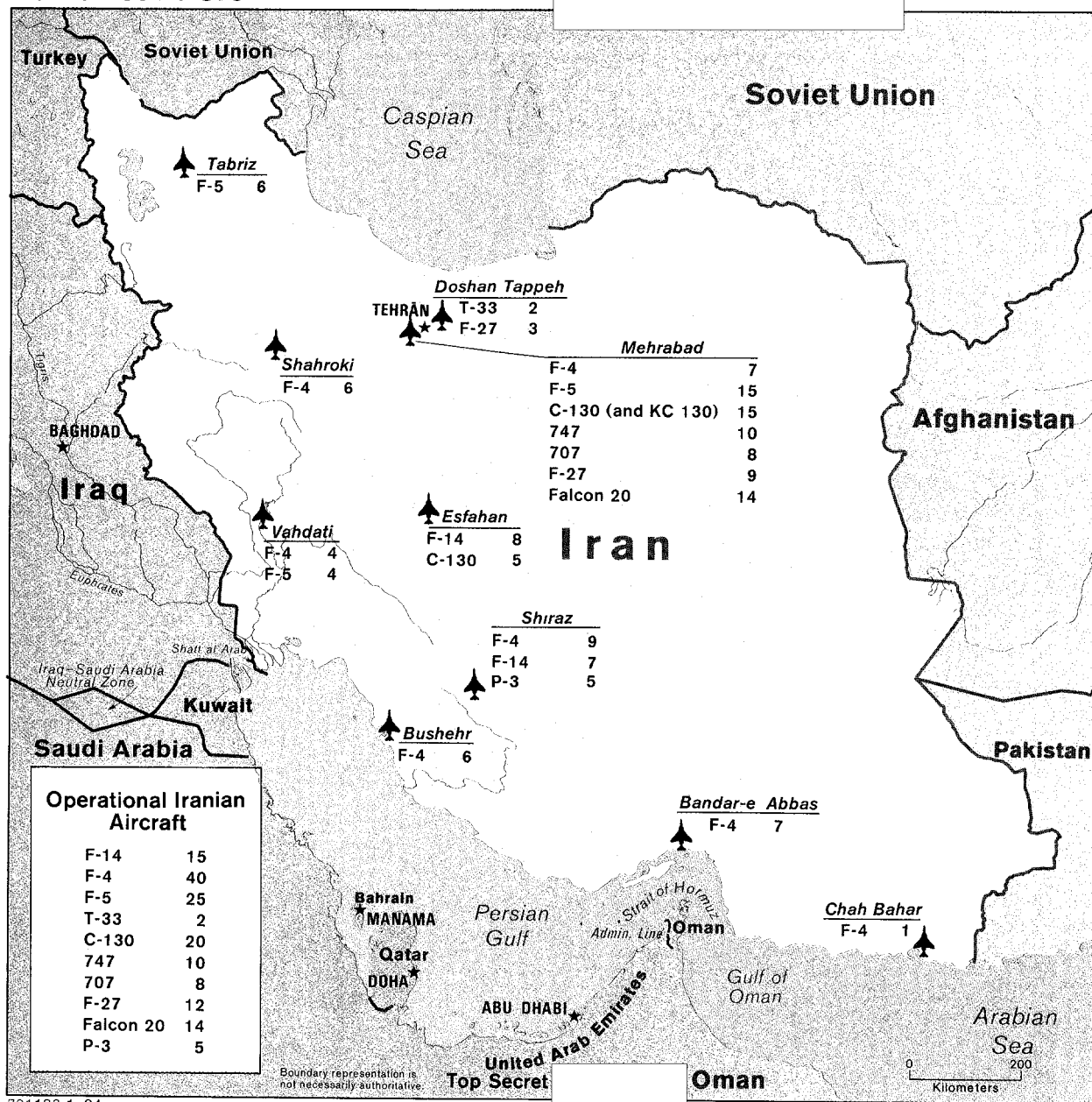
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Iranian Air Force



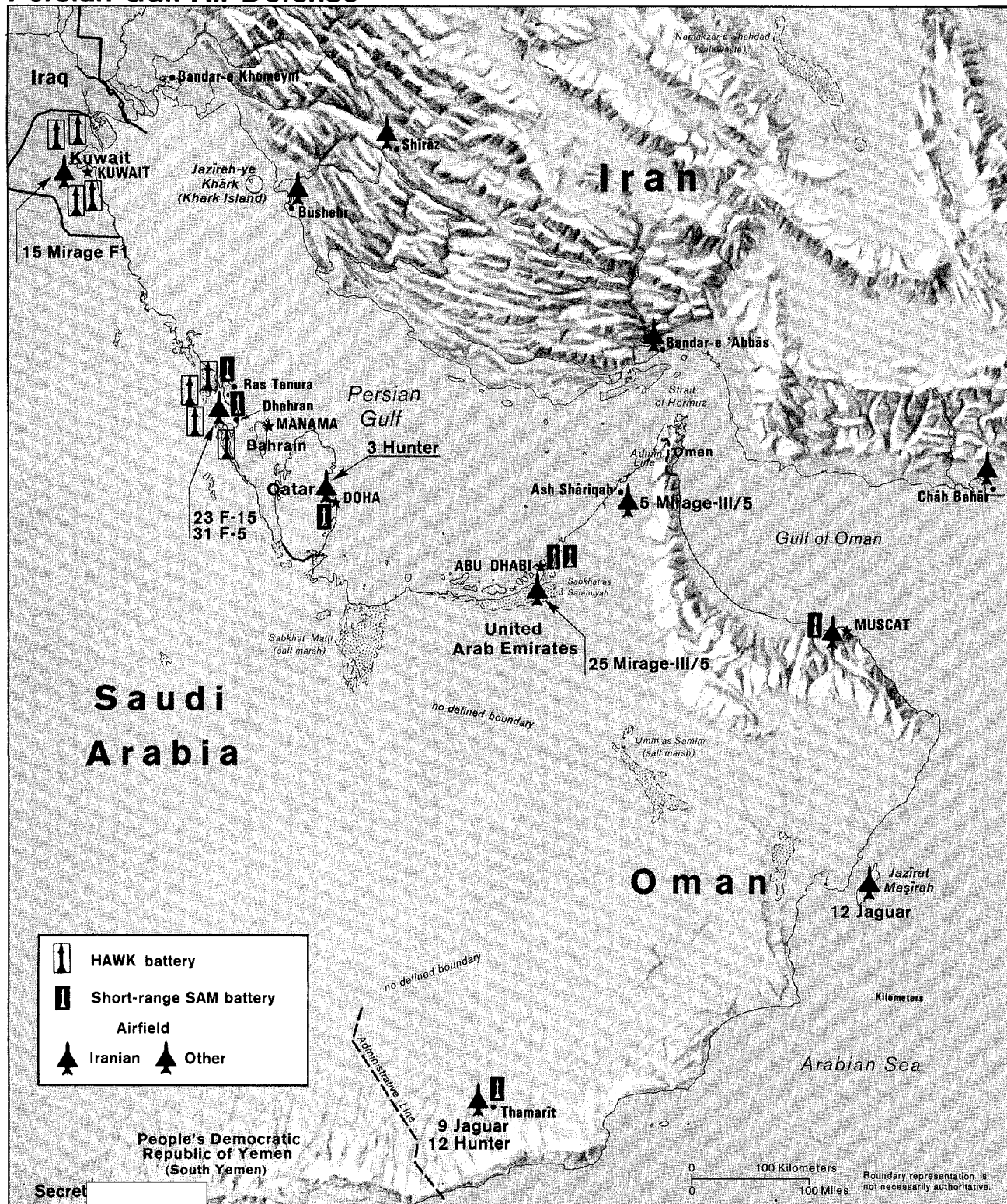
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Persian Gulf Air Defense



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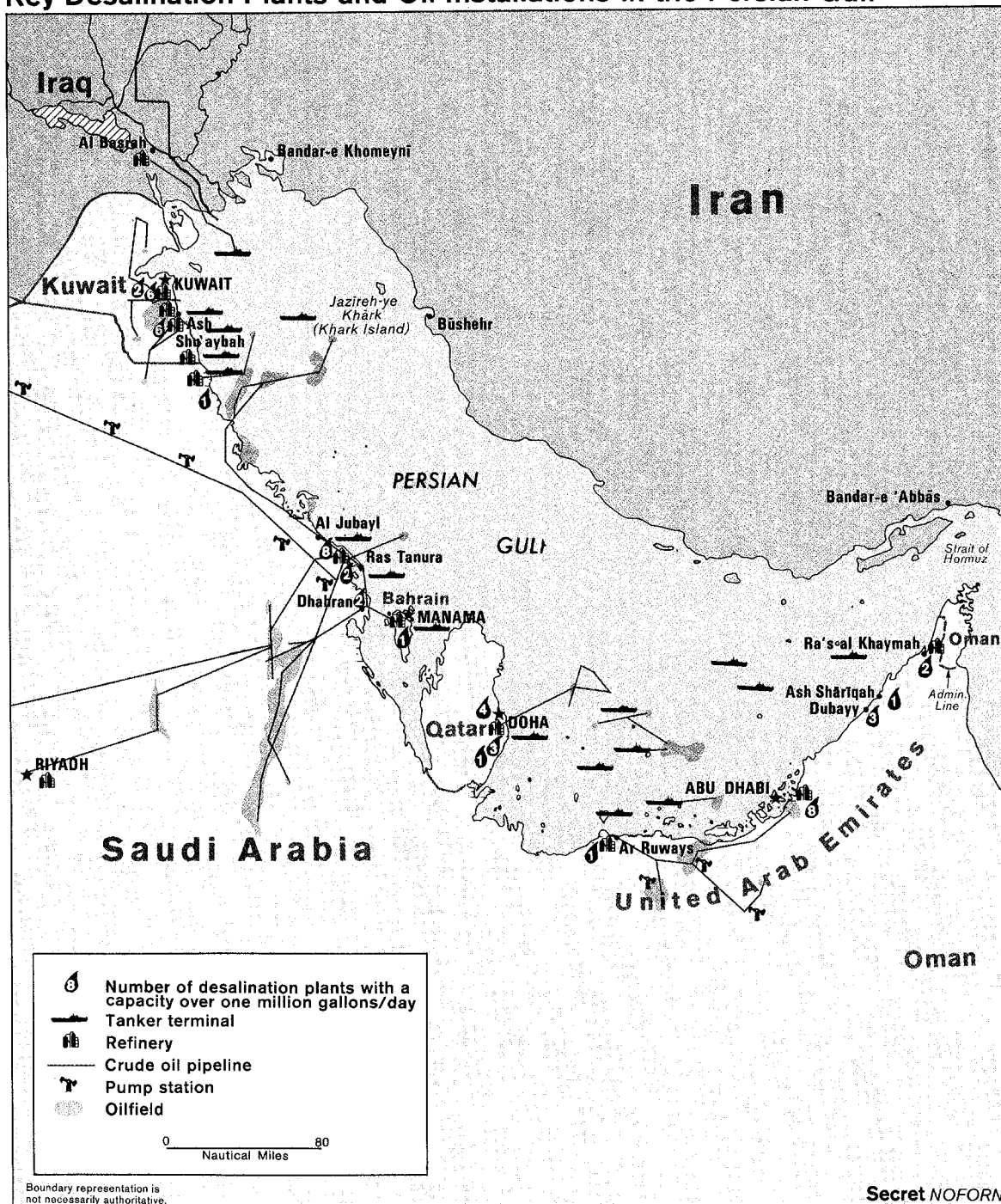
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Key Desalination Plants and Oil Installations in the Persian Gulf



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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

16 May 1984

IRAQ-IRAN: The War Moves Into the Gulf [REDACTED]

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Summary

The Iran-Iraq war has escalated dangerously in the past few weeks. Iraq has inflicted serious damage on tankers calling at Khark Island and Iran has retaliated by striking tankers calling at Gulf ports. Baghdad is unlikely to cease its attacks because of Iran's retaliation. The Iraqis are attempting to internationalize the war and impair Iran's war making capacity by denying Tehran oil revenues. The frequency of Iraq's attacks--about once a week--is likely to increase when Baghdad receives the first of at least 10 Exocet-armed Mirage F-1 aircraft this summer. [REDACTED]

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Iran raised the stakes in the Gulf on 16 May by attacking a Saudi oil tanker carrying Kuwaiti crude near the Saudi oil terminal of Ras Tanura. Iranian leaders have indicated that they will try to reduce Gulf Arab oil exports in the same proportion as Iran's exports are reduced by Iraqi attacks. More Iranian airstrikes against Saudi and Kuwaiti shipping are likely as are sabotage and terrorist attacks against Arab Gulf states if the Iraqi strikes continue. The possibility of a clash between Saudi and Iranian fighter aircraft also is increasing. There have been no indications of new Iranian military preparations to close the Strait of Hormuz. Iran probably would undertake such an effort only if it were to lose substantial oil revenues. [REDACTED]

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TOP SECRET [REDACTED]

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[REDACTED]

The most recent Iranian attack is having a strong initial impact on the spot market, raising North Sea Brent crude prices by as much as \$1.00 a barrel on 16 May. If the frequency of Iraqi attacks on tankers calling at Khark Island increases, some tanker owners will stop accepting charters for Khark relatively quickly. Others will remain in the trade seeking to make a quick profit. Tehran also could use a combination of tactics--such as price discounts, diplomatic pressure, and transshipment of oil in Iranian tankers--to maintain oil exports. Because of surplus oil production capacity available in the Free World, a halt in exports from Khark Island would by itself not have a major impact on the oil market. If Iran were to seriously disrupt Gulf Arab oil exports, the impact on world oil supplies and prices would be greater and more immediate. [REDACTED]

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* * * * *

Iraq's Strategy

Iraq is embarked on a strategy to squeeze the Iranian economy and increase international concern over an escalation in the war. Iraq wants Japan to stop purchasing Iranian oil, the Western states to curtail arm shipments to Iran, and the US to find alternate outlets for Iraqi oil. Baghdad views the economy as Khomeini's achilles' heel and believes cutting Iran's oil revenues will damage the Iranian economy. Iraq hopes that by reducing Iran's oil revenues, cutting Iran's arms supplies, and inflicting heavy battlefield losses on the Iranians, it will force Tehran to the negotiating table. [REDACTED]

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To implement its strategy, Iraq recently has broadened its attacks on shipping. Until 24 March, Iraq concentrated its airstrikes mainly on merchant ships calling at the Iranian northern Gulf port of Bandar-e Khomeini. Bandar-e Khomeini is the only functioning Iranian port with a railhead and thus is vital to the Iranian economy. Iraq claims to have hit about thirty merchant ships in six attacks from January 1984 through 24 March 1984. At least five ships were in fact damaged. [REDACTED]

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On 27 March Iraq escalated the campaign against Iran by launching its first confirmed attack using Super Etendard aircraft armed with Exocet missiles against an oil tanker. Iraq mistakenly hit two friendly ships--a Greek tanker filled with Kuwaiti oil and a workshop leased to ARAMCO. In addition to hitting the wrong targets, the Exocet missiles performed poorly; the missile that hit the Greek tanker failed to explode. In order to avoid further strikes against friendly ships, Iraq has shifted the focus of its attacks to the eastern half of the Gulf. The Iraqis also pressed the French to improve the performance of the Exocet missile. Since late March, Iraq has hit at least five other tankers, but failed to sink any. [REDACTED]

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Iraq is launching strikes against Gulf shipping about every five to ten days and is likely to maintain this pace as long as it suffers no significant

aircraft losses. With only five Super Etendard aircraft Iraq will not be able to launch sustained, high-intensity attacks on shipping. [REDACTED]

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Iraq will be able to increase its attacks on shipping late this summer, however, after it receives a squadron of Exocet-armed Mirage F-1 fighter aircraft. Four of the Mirage aircraft have been handed over to the Iraqis in France and at least ten Iraqi pilots will soon finish training on the aircraft there. The first Exocet-armed F-1 aircraft should arrive in Iraq next month and be combat ready by late summer. Iraq then will be able to increase both the frequency and size of its attacks. Instead of hitting one or two tankers once a week, the Iraqis could attack four or five tankers every few days. Iraq is unlikely to launch a sustained attack against Khark Island, however, unless Baghdad decides its campaign against Iranian shipping has failed to stop Iranian oil exports. [REDACTED]

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Shipowners and Oil Market Reactions to Iraqi Attacks

An intensification of Iraqi attacks could lead to a major withdrawal of trade from Iranian oil ports. Because of depressed shipping market conditions, however, some shipowners probably will continue calling at Khark as long as they can obtain insurance. There are about 168 tankers idle worldwide--with about 28 now awaiting business in the Persian Gulf. Even if insurance rates rise well beyond the current level of 3 percent, insurance will still be only a slight deterrent to shipowners and oil buyers. [REDACTED]

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As concern over the safety of tankers calling at Khark mounts we would expect to see the following sequence of indicators.

- A doubling or tripling in the charter rates for oil carried from Khark.
- Dramatic increases by Lloyds in hull and cargo insurance rates under war risk clauses.
- Withdrawal of substantial numbers of independent operators from the trade.
- Widespread cancellations or a significant drop in nominations of tankers calling at Khark Island.
- Denial of insurance by all insurers for ships and cargoes in the Khark Island trade. [REDACTED]

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A "domino effect" is not likely in the absence of steadily escalating Iraqi attacks. An across-the-board denial of insurance by all insurers, however, would effectively halt tanker traffic to Khark, except for nationally-owned Iranian vessels and those belonging to a number of independent shipowners who would accept a much higher risk as long as they have a chance at a profit. [REDACTED]

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Tehran probably will use a combination of tactics to keep its oil flowing. We believe these measures would be triggered by any significant drop in exports, perhaps from 1.8 million to 1.5 million barrels per day. Likely courses of action are:

- Lower official prices or price discounts in the form of rebates covering higher insurance and transportation costs, easier credit terms, direct Iranian payment of insurance premiums, or favorable terms for commercial oil-barter arrangements.
- Diplomatic pressure on major bilateral trading partners, such as the Japanese, who have a large commercial stake in Iran.
- Transshipment of oil in Iranian ships from Khark Island to the southern end of the Persian Gulf, where it could transfer oil directly into waiting third-party tankers. [REDACTED]

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If the Iranian attacks on Kuwaiti and Saudi tankers during the past few days prove to be the first in a sustained series of Iranian attacks against tankers trading with Arab ports on the Gulf, both charter and insurance rates in that trade will start to move up. Charter rates from both Iranian and Arab ports have been quite close during recent weeks. War risk insurance rates, on the other hand, have been much lower for Arab ports--premiums on ships are currently less than 3 percent of those for tankers carrying oil from Khark Island; rates on Arab oil cargo are 20 percent of those for Iranian crude. Even if insurance rates on both ships and cargoes in trade with the Arab ports rise to the current levels for Khark Island, the impact will be slight, adding about \$.25 to the delivered cost of a barrel of Kuwaiti crude, for example.

[REDACTED]

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Due to surplus oil productive capacity available in the Free World, the combined loss of total Iranian and Iraqi exports could be absorbed without significant impact on overall price levels. Much of this excess capacity, however, is in the Persian Gulf. Any combination of actions which caused a net reduction in world oil supplies of about 1 million barrels per day would probably create strong pressure on prices. Judicious use of government and commercial stocks could mitigate such pressure, but use of the latter would be highly dependent on perceptions of the likely length of the disruption.

[REDACTED]

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If Iran were to seriously damage or close the major Gulf oil-export facilities, the impact on world oil suppliers and prices would be more immediate. Currently about 10 million barrels per day of oil comes from Persian Gulf countries. Closure of the Kuwaiti export facility at Ahmadi and the Saudi terminals at Ju'aymah and Ras Tanura would remove over 3.5 million barrels per day in exports, a volume slightly above excess productive capacity outside the Middle East. The disruption of all oil shipments through the Strait of Hormuz would result in oil supply losses of about 7 million barrels per day from Gulf countries--the only exports available would be a maximum of 3 million barrels per day carried through pipelines in Saudi Arabia and Iraq--and would precipitate a significant round of oil price increases.

[REDACTED]

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Iran's Response

Faced with an increase in Iraqi pressure on its oil trade, Iran has begun to retaliate by attacking tankers enroute from Kuwait. The Iranians so far have confined the location of their attacks to an area in the northern Gulf between 25 and 55 nautical miles north of Ras Tanura. Iran is signaling to

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[redacted]

the Arab Gulf states and the West that if the Iraqi campaign continues, Iran will not hesitate to make the Gulf unsafe for all oil shipments. Iran's Supreme Defense Council met Tuesday and, according to Iranian press reports, laid down guidelines for Iran's strategy of retaliation. [redacted]

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The Iranian attack on a Saudi tanker carrying Kuwaiti crude on 16 May is significant because it did not directly follow an Iraqi attack on Iranian shipping and it occurred close to Saudi Arabia near the major Saudi export facility at Ras Tannura. Iran's Foreign Ministry warned on 13 May that Iran would not tolerate Iraq's attacks on shipping and on the same day Iranian F-4s attacked a tanker that had just loaded at Kuwait. On 14 May Iran attacked at least one additional tanker, inflicting significant damage, probably in response to an Iraqi attack on two Iranian bound vessels a day earlier. [redacted]

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Baghdad may now feel a need to respond to Iran's latest strike. Even if it does not, it is likely to attack with the Super Etendards within the next few days if it keeps to its schedule of tanker strikes. Every time Iraq attacks a target in the Gulf, Iran probably will lash out at one of the Arab Gulf states. Kuwaiti targets are the most logical since that country is militarily weak and is the Gulf country least likely to ask for military assistance from the US. Kuwait is also the primary port for military equipment coming from the USSR to Iraq. [redacted]

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Iran knows Iraq used Kuwaiti facilities in some of its attacks on Iranian bound shipping. Tehran also holds all Arab Gulf States accountable for giving financial aid to Baghdad. [redacted]

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Tehran has about 70-80 operational fighter aircraft and has been using F4 fighter aircraft, probably equipped with Maverick TV-guided bombs, against tankers. Iran also apparently is using P-3 naval reconnaissance aircraft to target tankers for airstrikes. While Iran can sustain its campaign of harassment against Gulf shipping indefinitely, it cannot engage in sustained, large-scale air operations over the Gulf should it become involved in clashes with Saudi fighter aircraft. Such engagements will become more likely as the Saudis beef up their defenses along the Gulf and Iran continues its strikes on tanker traffic. [redacted]

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If, as we judge likely, attacks against Kuwaiti shipping fail to deter Baghdad, Tehran likely will mount strikes against targets inside Kuwait or other Gulf states. It also could shift the focus of its air attacks further south in the Gulf. Iran could attack oil and desalination facilities in Kuwait and other Arab Gulf states, hit the Iraq-Turkey oil pipeline, or begin sabotage and terrorist attacks in the Gulf states using local Shia sympathizers. Iran has trained Gulf Arabs in terrorism and sabotage and probably has some already in place. Kuwait's oil facilities are easily accessible to Iranian aircraft and damage to any of its terminal facilities could critically impair its production capacity. Saudi Arabia and Abu Dhabi's oil production and export also depend on a small number of critical chokepoints. [redacted]

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Iran has not substantially strengthened its forces near the Strait of Hormuz. We believe Iran would only attempt to block the Strait if Iraq

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[REDACTED]

succeeds in substantially reducing Iranian oil exports, perhaps by more than 50 percent. Mining the Strait could result in a cutoff of Iranian shipping and would raise the possibility of a Western military response that Iran could not effectively counter. [REDACTED]

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Threat to US AWACS

Iraqi President Saddam Hussayn was quoted this week in a British newspaper as claiming that US AWACS in Saudi Arabia were supplying Baghdad with information. Tehran has picked up on the story claiming that it proves the US is behind the Iraqi strikes in the Gulf. If the strikes in the Gulf continue to escalate, we believe Iran will consider the AWACS and other US personnel and facilities as legitimate targets. The Iranians may try to intercept AWACS or launch terrorist attacks against US military personnel inside Saudi Arabia or the other Gulf states. [REDACTED]

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Iraqi and Iranian Attacks on Shipping in the Persian Gulf

31 Jan - 1 Feb Iraq claims 8 ships were sunk during attacks over two days near Bandar-e Khomeini.

16 Feb Iraq claims 7 ships were hit near Bandar-e Khomeini.

27 Feb Iraq claims tankers at Khark Island were attacked. We have no confirmation that this attack occurred.

1 Mar Iraq claims 8 ships were sunk near Bandar-e Khomeini.

24 Mar Iraq claims 4 ships were sunk near near Bandar-e Khomeini.

27 Mar A Greek tanker is slightly damaged and Korean barge sunk by Iraq.

29 Mar Four ships attacked near Bandar-e Khomeini by Iraq.

18 Apr British tanker hit and slightly damaged by Iraq.

25 Apr Saudi-registered supertanker heavily damaged by Iraq.

27 Apr Four merchant ships attacked by Iraq near Bandar-e Khomeini.

7 May Saudi-registered tanker heavily damaged in Iraqi attack.

13 May Iran attacks Kuwaiti tanker.

13 May An Iranian tanker lightly damaged and Panamanian-registered tanker heavily damaged by an Iraqi attack.

14 May Iran attacks Kuwaiti tanker.

16 May Iran attacks Saudi-registered tanker.

PERSIAN GULF: Current Oil Production and Exports
(million b/d)

	<u>Production</u>		<u>Consumption</u>	<u>Net Exports</u>
	Crude	NGIs ^a		
Iran	2.4	-- ^b	0.6	1.8
Iraq	1.1	0	0.3	0.8
Kuwait	1.0	0.05	0.15	0.9
Neutral Zone	0.5	0	0	0.5
Qatar	0.3	-----	-----	0.3
Saudi Arabia	5.0	0.3	0.9	4.4
UAE	<u>1.3</u>	<u>0.1</u>	<u>0.1</u>	<u>1.3</u>
Total:	11.6	0.45	2.0	10.0

^a Natural Gas Liquids.

^b Negligible.

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Distribution:

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 35 - EXEC REG
 36 - DDI
 37 - ADDI
 38 - VC/NIC
 39 - NIO/W
 40 - NIO/GPF
 41 - NIO/NESA
 42 - DDO/NE [REDACTED]
 43 - DDO/NE [REDACTED]
 44 - DDO/NE [REDACTED]
 45 - DDO/NE [REDACTED]
 46 - EURA/EI/SI
 47 - SDO (2)
 48 - DDS&T/DO (2)
 49 - SCIO
 50 - C/CSG
 51 - C/ILS
 52 - C/ISS
 53 - C/PDB

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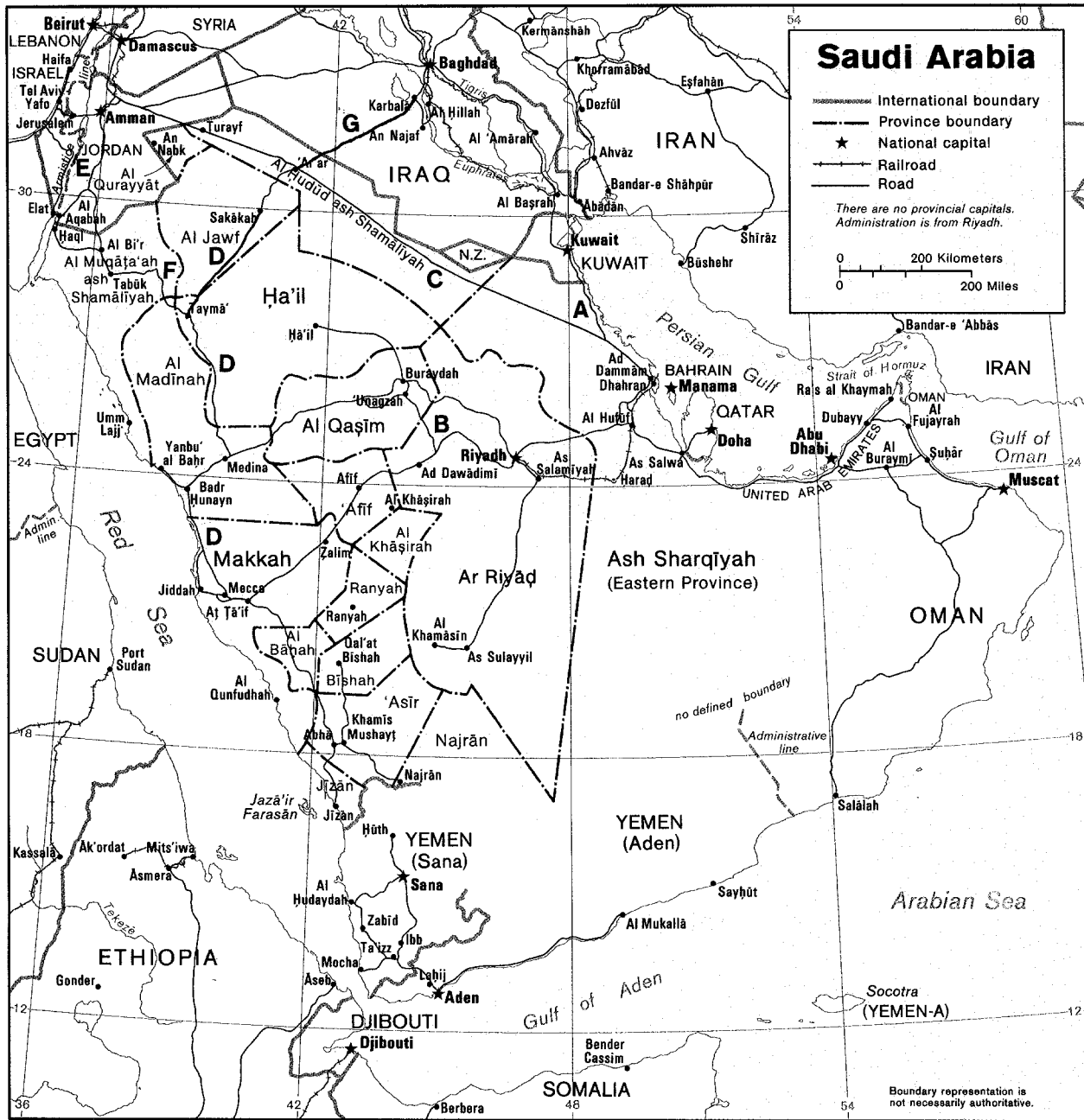
54 - C/NID
55 - CRES
56 - SOVA/CSD
57 - OGI/SRD E
58 - D/OGI
59 - C/OPSCTR
60 - DC/OPSCTR
61 - D/CPAS
62 - DD/CPAS
63-66 - CPAS/CMD/CB Rm. 7G07 Hqs
67 - OGI/IIC/TAB
68 - C/PES
69 - D/NESA
70 - NESA/PPS - 6G02 Hqs
71-74 - DDI/NESA/PG
ORIG:C/NESA/PG/



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Arabian Peninsula: Selected Overland Import Routes

<u>Route</u>	<u>Surface</u>	<u>Lanes</u>	<u>Approximate Distance</u>	<u>Capacity</u>	
				Vehicles per day	Metric Tons per day
A. Dammam-Kuwait	Hard-surfaced	2 to 6	430	8,000	40,000
B. Jiddah-Riyadh- Dammam	Hard-surfaced	2 to 6	1,450	6,000	30,000
C. Tapline Highway	Hard-surfaced	2	1,200	6,000	30,000
D. Jiddah-Tayma- Arar	Hard-surfaced	2	1,070	4,600	23,000
E. Aqaba-Amman- Tapline	Hard-surfaced	2	350	3,470	17,400
F. Aqaba-Tabuk	Hard-surfaced	2	180	3,470	17,400
G. Arar-Karbala	Bituminous treatment	2 to 4	430	1,000	5,000

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17 May 1984

Patterns in Iraqi and Iranian Attacks in the Gulf

Both the Iraqis and the Iranians are following some general patterns in their attacks in the Gulf.

- Iraq began the escalation by claiming to have hit a tanker near Khark on 27 February. The attack remains unconfirmed and may have been propaganda to put increased pressure on Iran.
- On 27 March, Iraq made its first confirmed attack with the Super Etendards but hit two friendly ships and the Exocet missiles failed to work properly.
- Iraq paused for about three weeks while it rethought targeting strategy and pressured the French to get the Exocet missiles fixed.
- On 18 April, the Iraqis resumed their attacks on tankers. This time they shifted the focus of the attacks well into the Iranian side of the Gulf. Since mid April Iraq has been hitting tankers every four to twelve days and the attacks all have been on the Iranian side of the Gulf. The Iraqis are concentrating their attacks in an area south of Khark Island where the shipping lanes from Khark Island and Bushehr port merge.
- In addition to hitting tankers, Iraq has used helicopters armed with Exocet missiles, shore-based Chinese antiship missiles, and missile boats to attack merchant ships calling at Bandar-e Khomeini. These attacks occur about once every two or three weeks depending on when the Iranians run a convoy to Bandar-e Khomeini. Iraq claims to have sunk about 30 ships in these attacks.
- Iran has conducted three attacks against tankers, all this week. The attacks are located in an area about 25 to 55 nautical miles north of Ras Tanura.
- There appears to be no time pattern to the Iranian attacks, but we believe the Iranians will respond to each Iraq strike.

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GCC MEETING ENDS, STATEMENT ISSUED

LD171457 RIYADH SPA IN ARABIC 1432 GMT 17 MAY 84

(TEXT) RIYADH, 17 MAY (SPA) -- AT THE END OF THE EMERGENCY MEETING HELD THIS MORNING, THE GCC FOREIGN MINISTERS DECIDED TO RAISE THE QUESTION OF IRANIAN ATTACKS AGAINST A NUMBER OF KUWAITI AND SAUDI OIL TANKERS AT AN EMERGENCY MEETING OF THE ARAB LEAGUE IN ORDER TO TAKE A UNIFIED ARAB STAND ON THE ATTACKS.

THEY ALSO DECIDED TO SUBMIT THE MATTER TO THE UN SECURITY COUNCIL.

THIS WAS CONTAINED IN A PRESS HANDOUT ISSUED AFTER THE MEETING. THE FOLLOWING IS THE TEXT OF THE STATEMENT:

THE GCC MINISTERIAL COUNCIL HELD AN EXTRAORDINARY MEETING TODAY, THURSDAY, 16 SHA'BAN 1404 OF THE HEGIRA CORRESPONDING TO 17 MAY 1984 AT THE HEADQUARTER'S OF THE GCC'S SECRETARIAT IN RIYADH AND REVIEWED THE RECENT DEVELOPMENTS IN THE AREA RELATING TO THE IRANIAN ATTACKS AGAINST NAVIGATION TO AND FROM THE PORTS OF THE GCC MEMBER COUNTRIES CONSISTING OF THE SHELLING OF THE KUWAITI OIL TANKER "UMM CASBAH" ON 13 MAY 1984, THE KUWAITI OIL TANKER "BAHRAH" ON 14 MAY 1984, AND THE SAUDI OIL TANKER "YANBU'" ON 16 MAY 1984. THEY ALSO REVIEWED THE THREATS THESE AGGRESSIONS POSE TO THE VITAL INTERESTS OF THE GCC MEMBER COUNTRIES AND THE VIOLATION OF INTERNATIONAL LAW AND THE UN CHARTER THEY ENTAIL, AS WELL AS THEIR INFRINGEMENT OF THE LAW OF THE SEAS AND THE HEIGHTENED TENSION IN THE AREA THEY CAUSE.

THE MINISTERIAL COUNCIL RECALLED THE DECISION TAKEN BY THE SUPREME COUNCIL CONSIDERING ANY AGGRESSION OF ANY MEMBER COUNTRY AS AN AGGRESSION ON THEM ALL. IN LINE WITH STAND, THE COUNCIL EXPRESSED ITS DENUNCIATION OF THESE ATTACKS.

THE COUNCIL ALSO DECIDED TO SUBMIT THE MATTER TO AN EMERGENCY MEETING TO BE HELD BY THE ARAB LEAGUE IN ORDER TO ADOPT A UNIFIED ARAB STAND.

THE COUNCIL ALSO DECIDED TO SUBMIT THE MATTER TO THE UN SECURITY COUNCIL IN VIEW OF THE THREATS THESE AGGRESSIONS POSE TO INTERNATIONAL PEACE AND SECURITY.

17 MAY 1521Z NJD

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CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE

17 May 1984

Iran-Iraq Situation

The Iraqis attempted another attack near Khark Island this morning but apparently were unsuccessful. US AWACS aircraft detected two Iraqi Super Etendards returning from a mission southwest of Khark this morning. An Iranian F-14 fighter aircraft tried unsuccessfully to intercept the Super Etendards. There have been no reports this morning of tankers being attacked in the Gulf. The Iraqis may have been unable to locate any targets.

COMMENT: Iraq has turned to attacking tankers to bring pressure on Iran and the international community. Since late March Iraq has hit at least six tankers. The Iraqis have been attacking tankers at least once every four to twelve days since mid April. Iran has attacked three tankers, all this week. In addition, Iraq claims to have hit at least 30 merchant ships and six miscellaneous craft in the northern Gulf since 1 January.

As today's attempted Iraqi attack illustrates, Baghdad will not be deterred by Tehran's retaliation against the Gulf Arabs from attacking shipping near Khark Island. We do not expect Iraq to increase the frequency of its attacks, however, until it receives Mirage F-1 fighter aircraft armed with Exocet missiles later this summer. The Mirage F-1 armed with the Exocet will be capable of reaching the shipping lanes around Khark Island and is a faster and more capable aircraft in air-to-air combat than the Super Etendard.

Iran will retaliate for each successful Iraqi attack by hitting at shipping bound for Arab Gulf ports. If Iraq continues its attacks for another few weeks, which we believe is likely, Iran probably will shift the focus of its attacks to targets inside Kuwait and possibly will begin fomenting terrorist attacks on the Gulf states.

The attack on the Saudi tanker probably will prompt Riyadh to press for increased military cooperation among the GCC states. At the Foreign Ministers' meeting today and in bilateral discussions initiated Tuesday between defense Minister Sultan and the Kuwaitis, the Saudis probably proposed coordination of air defense, increased intelligence exchanges, and perhaps plans to convey tankers through the Gulf. The Kuwaitis would like the Saudis to pass AWACS data, in particular. The Saudis also may debate whether to modify their rules of engagement for air combat in order to permit pursuit of attacking aircraft.

Often critical of US presence and policies, the Gulf states are likely to look to the US for help if the attacks continue. The states perceive, in our view, a firm US commitment to their security based on the visits of US political-military teams to the area and the statements of senior US officials. Their willingness to cooperate with Washington--beyond just seeking assurances--will depend on their sense of imminent danger and perception of the reliability of the US as a protector. [REDACTED]

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Spot market prices for oil rose sharply yesterday, but surplus oil production capacity is available in non-Communist areas outside the Gulf; a halt in exports from Khark Island would by itself not have a major, sustained impact on the oil market.

Iran is accusing the US AWACS of supporting the Iraqi attacks, the latest Iranian charge was issued this morning.

COMMENT: We believe there is a growing possibility that the Iranians will strike at AWACS or US personnel and facilities in the Gulf.

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